

STATE OF SOUTH CAROLINA

Petition of South Carolina Electric & Gas Company for authorization to defer certain charges to the Company's financial statements resulting from the impact of recent economic developments on pension cost

BEFORE THE
PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

COVER SHEET

DOCKET

NUMBER: 2009 - - G

(Please type or print)

Submitted by: K. Chad BurgessSC Bar Number: 69456

Address: SCANA Corp.
1426 Main Street MC 130
Columbia, SC 29201

Telephone: 803-217-8141Fax: 803-217-7931

Other: _____

Email: chad.burgess@scana.com

NOTE: The cover sheet and information contained herein neither replaces nor supplements the filing and service of pleadings or other papers as required by law. This form is required for use by the Public Service Commission of South Carolina for the purpose of docketing and must be filled out completely.

DOCKETING INFORMATION (Check all that apply)

☐ Emergency Relief demanded in petition ☐ Request for item to be placed on Commission's Agenda expeditiously

☐ Other: _____

INDUSTRY (Check one)	NATURE OF ACTION (Check all that apply)			
<input type="checkbox"/> Electric	<input type="checkbox"/> Affidavit	<input type="checkbox"/> Letter	<input type="checkbox"/> Request	
<input type="checkbox"/> Electric/Gas	<input type="checkbox"/> Agreement	<input type="checkbox"/> Memorandum	<input type="checkbox"/> Request for Certification	
<input type="checkbox"/> Electric/Telecommunications	<input type="checkbox"/> Answer	<input type="checkbox"/> Motion	<input type="checkbox"/> Request for Investigation	
<input type="checkbox"/> Electric/Water	<input type="checkbox"/> Appellate Review	<input type="checkbox"/> Objection	<input type="checkbox"/> Resale Agreement	
<input type="checkbox"/> Electric/Water/Telecom.	<input type="checkbox"/> Application	<input checked="" type="checkbox"/> Petition	<input type="checkbox"/> Resale Amendment	
<input type="checkbox"/> Electric/Water/Sewer	<input type="checkbox"/> Brief	<input type="checkbox"/> Petition for Reconsideration	<input type="checkbox"/> Reservation Letter	
<input checked="" type="checkbox"/> Gas	<input type="checkbox"/> Certificate	<input type="checkbox"/> Petition for Rulemaking	<input type="checkbox"/> Response	
<input type="checkbox"/> Railroad	<input type="checkbox"/> Comments	<input type="checkbox"/> Petition for Rule to Show Cause	<input type="checkbox"/> Response to Discovery	
<input type="checkbox"/> Sewer	<input type="checkbox"/> Complaint	<input type="checkbox"/> Petition to Intervene	<input type="checkbox"/> Return to Petition	
<input type="checkbox"/> Telecommunications	<input type="checkbox"/> Consent Order	<input type="checkbox"/> Petition to Intervene Out of Time	<input type="checkbox"/> Stipulation	
<input type="checkbox"/> Transportation	<input type="checkbox"/> Discovery	<input type="checkbox"/> Prefiled Testimony	<input type="checkbox"/> Subpoena	
<input type="checkbox"/> Water	<input type="checkbox"/> Exhibit	<input type="checkbox"/> Promotion	<input type="checkbox"/> Tariff	
<input type="checkbox"/> Water/Sewer	<input type="checkbox"/> Expedited Consideration	<input type="checkbox"/> Proposed Order	<input type="checkbox"/> Other:	
<input type="checkbox"/> Administrative Matter	<input type="checkbox"/> Interconnection Agreement	<input type="checkbox"/> Protest		
<input type="checkbox"/> Other:	<input type="checkbox"/> Interconnection Amendment	<input type="checkbox"/> Publisher's Affidavit		
	<input type="checkbox"/> Late-Filed Exhibit	<input type="checkbox"/> Report		

K. Chad Burgess
Senior Counsel

chad.burgess@scana.com



January 22, 2009

VIA ELECTRONIC FILING

The Honorable Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Drive (29210)
Post Office Drawer 11649
Columbia, South Carolina 29211

RE: South Carolina Electric & Gas Company
Petition for an Accounting Order (Gas Operations)
Docket No. 2009-____-G

Dear Mr. Terreni:

Enclosed for filing, on behalf of South Carolina Electric & Gas Company (Gas Operations), is a Petition for authorization to defer certain charges to the Company's financial statements resulting from the impact of recent economic developments on pension cost.

By copy of this letter we are serving a copy of this Petition upon the South Carolina Office of Regulatory Staff and attach a Certificate of Service to that effect.

If you have any questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "K. Chad Burgess", with a stylized flourish at the end.

K. Chad Burgess

KCB/kms

Enclosures

cc: Shannon Bowyer Hudson, Esquire
(via hand delivery w/enclosures)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NOS. 2009-____-G

IN RE:

Petition of South Carolina Electric & Gas)
Company for authorization to defer certain)
Charges to the Company's financial)
Statements resulting from the impact of)
Recent economic developments on pension)
Cost)
_____)

**CERTIFICATE
OF SERVICE**

This is the certify that I have caused to be served this day one (1) copy of South Carolina Electric & Gas Company's **Petition for an Accounting Order** via hand delivery to the person named below at the address set forth:

Shannon Bowyer Hudson, Esquire
Office of Regulatory Staff
1401 Main Street, Suite 900
Columbia, SC 29201



Karen M. Scruggs

Columbia, South Carolina
This 22nd day of January 2009

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2009 - ____ - G

IN RE:

Petition of South Carolina Electric & Gas Company for authorization to defer certain charges to the Company's financial statements resulting from the impact of recent economic developments on pension cost.)	PETITION OF SOUTH CAROLINA ELECTRIC & GAS COMPANY FOR AN ACCOUNTING ORDER
_____)	

South Carolina Electric & Gas Company ("SCE&G") hereby files with the Public Service Commission of South Carolina ("Commission") this petition, pursuant to S.C. Code Ann. § 58-27-1540 (Supp. 2007) and 26 S.C. Code Ann. Reg. 103-825 (1976, as amended), seeking an accounting order for regulatory accounting purposes authorizing SCE&G to defer as a regulatory asset certain increases in charges to its financial statements required under Statement of Financial Accounting Standards ("SFAS") No. 87, *"Employers' Accounting for Pensions,"* as amended by SFAS 158, *"Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans"* primarily as a result of an unusually large change in the fair value of pension assets, which was directly attributable to the recent downturn in the United States economy.

The request for relief set forth herein will not involve a change to any of SCE&G's current rates or prices at this time, or require any change in any Commission rule, regulation or policy. In addition, the issuance of the requested accounting order will not prejudice the right of any party to address these issues in a subsequent general rate case proceeding or any filing made

pursuant to the Natural Gas Rate Stabilization Act under S.C. Code Ann. § 58-5-410 *et seq.* (Supp. 2008). Accordingly, neither notice to the public at-large, nor a hearing is required regarding this Petition.

In support of this Petition, SCE&G would respectfully show unto this Commission the following key facts and would request of and apply to the Commission for the following relief:

1. SCE&G is a corporation organized and existing under the laws of the State of South Carolina. SCE&G, among other things, is a natural gas distribution utility engaged in the distribution and sale of natural gas to the public for consumption. SCE&G's natural gas operations are subject to the jurisdiction of the Commission pursuant to the provisions of Chapter 5 of Title 58 of the South Carolina Code.

2. Corporate legal counsel for SCE&G in this proceeding are as follows:

Catherine D. Taylor, Esquire
K. Chad Burgess, Esquire
South Carolina Electric & Gas Company
1426 Main Street, MC 130
Columbia, South Carolina 29201
Telephone: 803-217-8141
Facsimile: 803-217-7931
cdtaylor@scana.com
chad.burgess@scana.com

All correspondence and any other matters relative to this proceeding should be addressed to SCE&G's authorized representatives as stated hereinabove.

3. SCE&G, as a wholly-owned subsidiary of SCANA Corporation and along with other subsidiaries of SCANA, participates in a noncontributory, tax qualified, defined benefit pension plan ("Pension Plan"), which covers substantially all of SCE&G's permanent employees. The Pension Plan has been funded to the extent permitted by applicable federal income tax regulations. In accounting for the cost of the Pension Plan, SCE&G follows SFAS

No. 87, *“Employers’ Accounting for Pensions,”* as amended by SFAS No. 158, *“Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.”* Among other things, these accounting standards require that pension income or expense be determined, in part, based upon a measurement of the fair market value of the Pension Plan’s assets at the end of the previous fiscal year (December 31).

4. To assist in meeting the benefit obligations of the Pension Plan, the funds within the Pension Plan are invested in various investment vehicles. The Pension Plan has been funded sufficiently and the investment portfolio has been managed in such a manner that in recent years, rather than incurring a net pension expense or cost as some other plans have done, the Pension Plan has instead generated significant amounts of pension income. More specifically, under the provisions of SFAS 87, SCE&G has recorded pension income within its gas utility operations of approximately \$800,000 in 2005, \$300,000 in 2006, \$700,000 in 2007 and \$400,000 in 2008. Pursuant to SFAS 87, these amounts were actuarially determined based on the actual fair value of Pension Plan assets at the beginning of each year, and also reflected the use of various actuarial assumptions, the most significant of which are generally those related to the long-term rate of return on assets expected to be achieved and the discount rate applied to the pension benefit obligation. Lower asset levels and lower expected rates of return decrease the pension income amount (or increase the pension cost), while higher discount rates increase the income amount (or decrease pension cost).

5. During 2008, however, the United States economy suffered one of the greatest setbacks since the Great Depression of 1929, causing the United States to fall into a recession. During 2008, the Dow Jones Industrial Average declined over 30% in value as many investors liquidated their holdings.

6. As a direct result of this downturn in the U.S. economy, the Pension Plan experienced a significant decline in the fair value of its assets. Moreover, in 2009, for the first time since 2003, the Pension Plan will not generate pension income, but instead will incur pension expense.

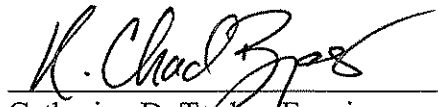
7. Currently, SCE&G's gas rates are based upon annual pension income of approximately \$300,000. This treatment of pension income has had the effect of reducing SCE&G's operating and maintenance expenses and therefore reducing customer base rates. In contrast, primarily as a result of the above described decline in the fair value of plan assets, and based upon preliminary estimates provided by SCE&G's independent actuaries, the gas utility operations of SCE&G are expected to incur an expense of approximately \$4.2 million for the year ended December 31, 2009, or an increase of approximately \$4.5 million over those pension amounts reflected in current rates.

8. Based on this unusually large change in pension expense brought about by national economic conditions, SCE&G seeks authorization from the Commission to defer as a regulatory asset the difference between the level of pension income currently included in its base rates and the level of pension expense it would be required to record under the current generally accepted accounting standards. SCE&G requests that it be allowed to continue such deferral until such time as recovery of these additional costs is provided for in Commission approved base rates.

WHEREFORE, having set forth its Petition, SCE&G respectfully requests that the Commission issue an order authorizing SCE&G to (i) defer as a regulatory asset certain charges to its financial statements required under Statement of Financial Accounting Standards No. 87, *"Employers' Accounting for Pensions,"* as amended by SFAS 158, *"Employers' Accounting for*

Defined Benefit Pension and Other Postretirement Plans” in excess of amounts currently provided for in Commission approved base rates as a result of an unusually large change in pension expense and (ii) grant such other and further relief as is just and proper.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "K. Chad Burgess", is written over a horizontal line.

Catherine D. Taylor, Esquire
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Attorneys for Petitioner
South Carolina Electric & Gas Company

Columbia, South Carolina
January 22, 2009